



COUNCIL AGENDA: 6-22-04

ITEM: 3, 9(c)

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Wandzia Grycz
José Obregon

SUBJECT: SEE BELOW

DATE: 06-16-04

Approved

Date

6/16/04

Council District: Citywide
SNI: N/A

SUBJECT: REPORT ON RFP FOR A CONVERGED NETWORK FOR THE NEW CITY HALL (NCH)

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate an agreement with Unisys (Blue Bell, PA), for the purchase of a Converged Data Network and Telephony System in an amount not to exceed \$8,030,127 including all hardware, software and professional services required to implement the system.

BACKGROUND

The City will install a converged network capable of meeting the voice, video and data requirements at the New City Hall (NCH). Services provided by this technology bring together telephone services, data services, and the power of the Internet in a single high-speed network infrastructure to support 24x7, 365 days per year customer interactions with the City for various services. This system will also serve as the voice and data communication foundation for future expansion to other City facilities.

The Converged Network RFP defined the solution required for the City to deploy a Voice Over Internet Protocol (VoIP), also referred to as IP telephony, and data network. The major components of the RFP are as follows:

- Design and installation of a switched Ethernet based network
- Design and installation of a VoIP telephone system
- Development, implementation, and testing of the converged network solution
- Development, implementation and testing - according to best practices - for the above items including an overall system security plan
- The requisite hardware and software including 2,000 IP phones, call management software, network switches, routers, management tools, applications, and security devices

On February 3, 2004, Council approved funding for NCH technology purchases, which specifically included this Converged Network procurement, and directed staff to return to Council for each procurement recommendation.

ANALYSIS

On March 15, 2004, the RFP process was initiated with key milestones and dates as identified in Table 1. The RFP was advertised on the City's Internet "BidLine" and distributed to thirty-eight companies. The RFP required that all interested companies participate in a mandatory pre-proposal conference. Twenty-two companies participated in the pre-proposal conference, and six companies submitted proposals by the April 16, 2004 deadline.

Milestone	Completion Date
Issue Request for Proposal	3/15/04
Written questions due / Requests for clarification	3/22/04
Answers to written questions distributed (Addendum)	3/24/04
Mandatory Pre-Proposal Conference	3/26/04
Responses/Addendum distributed (pre-proposal conference summary)	3/29/04
Due Date for Technical Proposals	4/16/04
Oral Interviews and presentations	5/12/04
Final technical specifications/Cost Proposal Response Form issued	5/14/04
Due date for final clarifications to technical proposals, and submittal of Cost Proposals.	5/24/04

Table 1

Proposals were received from the following companies:

- Avnet
- Nextira One
- Nexus IS
- Norstan
- SBC
- Unisys

A proposal evaluation panel consisting of six City staff members and one external Information Technology professional from an outside government agency was formed. All panel members were briefed by Purchasing on the evaluation rules and scoring process prior to receiving proposals. In order to ensure scoring consistency, it was mandatory that all panel members attend all discussions as well as the oral interviews with the finalists.

PHASE 1 Evaluation - Minimum Requirements

The initial evaluation was a pass/fail assessment of each proposal, to ensure that all required forms and documentation were submitted, and that the Proposer possessed the minimum qualifications and expertise to be successful on a project of this scope and magnitude.

All six proposals passed this phase of the evaluation.

PHASE 2 Evaluation – Qualifications and Experience/Technical Evaluation

Each member of the evaluation team independently evaluated and scored the proposals on technical merit and overall understanding of the project. The key categories scored were:

- Relevance of the references that were submitted
- Converged network domain experience
- Compliance with certification requirements
- Solution and integration
- Project management

The evaluation team agreed that there was a clear break in the scores between the first three proposals (Norstan, SBC and Unisys) and the remaining proposals (Avnet, Nextira One and Nexus). These results were presented to a Senior Staff team comprised of the General Services Director, Chief Information Officer, and Deputy City Manager. Upon conclusion of the presentation, the Senior Staff team agreed with the evaluation team's recommendation to move to the next phase of the evaluation process with the top three ranked proposals.

PHASE 3 Evaluation – Oral Interviews

The finalists were invited back to make an oral presentation and participate in all day panel interviews. The City required that presenters must be key team members (of the proposing company) that would be assigned to the project, and the lead presenter was to be the program manager designated for this project. The City provided a required outline of the items to be discussed by each company so that they would have an equal opportunity to present the information that was being evaluated by the City.

The following general criteria were discussed and evaluated:

- Knowledge of features and functionality
- Project management experience, approach and methodology
- Knowledge of the proposed technology solution and understanding of the City's needs
- Final Questions

PHASE 4 Evaluation – Final Technical Requirements

For this phase, finalists received a final set of technical clarifications, and instructions to provide final technical and management submittals, as well as a cost proposal.

The following key response documents were requested and evaluated:

- Proposed staffing requirements for the vendor and the City, over the life of the project.
- Proposed Project Timelines
- Executive Level Scope of Work

In addition to the evaluation and scoring of the information requested above, reference calls were made to active vendor sites where Converged Network technology had been implemented by each of the finalists.

Upon the conclusion of the total evaluation process, the Selection Committee scored and ranked the three finalists as summarized in Table 2:

COMPANY	OVERALL SCORE	PERCENT OF HIGH SCORE
Unisys	247.9	---
SBC	220.8	89.1%
Norstan	218.9	88.3%

Table 2

Unisys' overall technical score was approximately 11% and 12% higher than SBC and Norstan, respectively.

In addition to the numeric scoring, there were three categories that were scored as pass/fail by the evaluation team. The categories scored as pass/fail included meeting required staff certifications, bill of materials certification, and key project assumptions.

Panelists rated SBC as failing in the "key project assumptions" category as a result of the following statement which limits SBC's responsibility for one of the most critical aspects of the project: "SBC will not be responsible for the performance and voice quality of the live AVVID IP Telephony over the customer LAN."

Panelists rated Norstan as failing in the "certification requirements" category for not providing adequate documentation as to the key team members that would be assigned to the project.

COST COMPARISON

Pricing was submitted by the finalists at the end of the RFP process (Phase 4), and was not disclosed to City staff until after the completion of the technical evaluation. Table 3 summarizes each company's proposed price for the delivery of the "core" or base solution:

COMPANY	PRICE	PERCENT OF LOW PRICE
Unisys	\$7,621,467	103.0%
SBC	\$7,401,855	---
Norstan	\$8,492,091	114.7%

Table 3

The figures above do not include proposed costs for ongoing system support. System support may be procured separately, as described further in the "Cost Implications" section. Proposers also provided costs for optional services but are not included in the figures above.

SUMMARY

City staff concurred that Norstan be eliminated from further consideration because of their #3 technical rank, results of the pass/fail evaluation, and a price that is 14.7% and 3% higher than SBC and Unisys, respectively.

Staff further agreed that Unisys' 3% higher price than technically ranked #2 SBC was worth the additional 11% of technical value and 100% "pass" in the pass/fail evaluation.

Unisys' key technical attributes or differentiators are summarized as follows:

- Unisys' demonstrated a superior and comprehensive understanding of the City's requirements throughout the proposal and presentation process. Their comprehension of the underlying technical architecture was very thorough, along with their understanding of IP telephony solutions.
- Unisys' project manager demonstrated the strongest project communications skills and possesses the most direct applicable experience and first-hand technical knowledge of the various aspects associated with the project.
- Their oral presentation was the most professional and comprehensive, showing strong collaboration among team members and demonstrating their teamwork and ability to communicate well with the customer.
- The project management methodology (TeamMethod) was deemed to be the superior methodology across all of the presentations. TeamMethod is based on the internationally recognized Project Management Institute (PMI) methodology and was very comprehensive in its ability to support communication, planning, risk management, change control, cost control, etc.

- Unisys demonstrated the most comprehensive network and security infrastructure solution presented by any of the vendors. They placed significantly more emphasis on critical network and security aspects of the solution than the other vendors.
- Unisys presented a holistic view of network design with design aspects being a critical component of their proposed solution.
- Unisys successfully demonstrated all of the required functional elements of the City's requirements as specified.

Phase 3 and Phase 4 evaluation results were presented to the Senior Staff team who concurred with the Selection Committee's recommendations.

PEER REVIEW

The City also conducted a peer review comprised of external resources from Gartner Group Consulting and telecommunications/network managers from Santa Clara County and the Santa Clara Valley Water District. The objective of this review was to brief and obtain feedback from an independent body - with a knowledge of telecommunications and network technology - on the RFP process and the evaluation and selection process.

The peer review validated that the RFP process was comprehensive, competitive, and conducted in a fair and unbiased manner. The peer group also expressed their willingness to assist the City in the development and review of the final agreement with Unisys.

RECOMMENDATION

Based on the proposals submitted and evaluation, staff recommends that the City Council authorize the City Manager to negotiate an agreement with Unisys for the purchase of a Converged Data Network and Telephony System.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This memorandum has been coordinated with the Information Technology Department, General Services Department, City Attorney's Office, and the City Manager's Office.

COST IMPLICATIONS

This purchase is a one time cost of \$8,030,127 to be expended from Capital appropriation #4852—Civic Center Technology Improvements. This purchase is consistent with the Council

approved Budget Strategies, General Principle #8, “We must continue to streamline, innovate and simplify our operations.” It is also consistent with the Council approved Economic Development Strategy, “Make San José a Tech Savvy City.”

As noted previously, the recommended contract award does not include ongoing system maintenance support, estimated at \$750,000 annually. Staff recommends that the City retain the option to exclude this element from the scope of the contract. Staff will explore Unisys supplying this maintenance support, while leaving open our ability to evaluate alternative procurement options. In addition, staff will evaluate alternative funding sources for ongoing system support. Funding sources for ongoing maintenance support could include cost savings identified through Network contract negotiations or from other NCH Technology, Furniture, Equipment and Relocation (TFE&R) procurements. Staff will examine other strategies such as ongoing savings from implementation of the VoIP system.

The recommended contract amount includes the Unisys base cost proposal, less ongoing system support (as described above), and includes development of a required comprehensive security plan for the amount of \$408,660.

The workplan for TFE&R procurements for the New City Hall allocates a total of \$7.160 million for the Converged Network (elements T4/T10). The recommended contract exceeds this allocation by \$870,127 or 12.2%.

In order to fund the recommended contract, staff has evaluated progress to date on TFE&R procurements. The elements that have substantial expenditures completed or underway include Voice and Data Cabling (T5), Utility Services (FE3), and Tower and Rotunda Sun Shade Covers (FE4). As indicated below, the anticipated savings under these elements is sufficient to fund the recommended contract.

Element	Original Estimate	Actual	Savings (\$)	Savings (%)
Voice and Data Cabling	\$3.00 million	\$1.87 million	\$1.13 million	37.6%
Utility Services	0.50 million	0.25 million	0.25 million	50%
Tower and Rotunda Sun Shade Covers	0.64 million	0.44 million	0.20 million	31.3%
Converged Network (Proposed)	7.16 million	8.03 million	(0.87 million)	(12.2%)
Total	\$11.3 million	\$10.59 million	\$0.71 million	6.3%

MANAGED COMPETITION

The City does not have the technology engineering expertise or capability to manufacture state-of-the-art IP Telephony equipment and associated software necessary to implement a converged network solution in the NCH.

LIVING WAGE

The Office of Equality Assurance has determined that the Prevailing Wage will apply for various labor functions associated with the installation of the equipment.

LOCAL PREFERENCE

This RFP was issued under the Local Preference Policy then in effect, Resolution 64649, which defines a local business as:

- Having a current San José business license; and
- Having either of the following types of offices operating legally within the City of San José:
 - the contractor's principal business office; or
 - the contractor's regional, branch or satellite office with at least one full time employee located in San José.

The preference is applied as a "tie-breaker" where two proposals are substantially similar in terms of quality and price.

The revised Local and Small Business which becomes effective as of June 18, 2004, expands the definition of a local business as having an office located within Santa Clara County. If the local business condition is met, then there may be an additional small business consideration is applied if the total number of employees is 35 or less. There is a 5% consideration for local business, and an additional 5% consideration for small business, which are applied to the total point score.

The following is a summary of how each Proposer responded to the Local Preference information that was requested in the RFP:

Avnet's corporate headquarters are located in Phoenix, AZ. They did not claim status as a local business but submitted with their proposal a San José business license indicating that they have 220 local employees.

NextiraOne's corporate headquarters are located in Houston, TX. They claimed status as a local business but failed to provide the required business license information.

Nexus' corporate headquarters are located in Valencia, CA. They claimed status as a local business but failed to provide the required business license information.

Norstan's corporate headquarters are located in Minnetonka, MN. They did not claim status as a local business.

SBC's corporate headquarters are located in San Antonio, TX. They claimed status as a local business with approximately 1500 employees located at various locations within the City.

Unisys' corporate headquarters are located in Blue Bell, PA. They claimed status as a local business with six employees located at a San José office location.

The recommended contractor, Unisys, qualified as a Local Business Enterprise. Thus application of a 5% preference would not impact the recommendation. No finalist qualifies as a Small Business Enterprise.

BUDGET REFERENCE

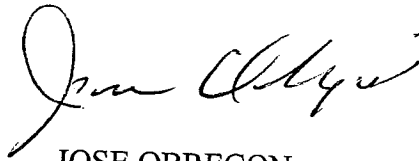
Fund	Appn	Appn Name	Amount	Total Appn	Ordinance
473	4852	Civic Center Technology Improvements	\$8,030,127	\$25,700,000	#27503 01/13/04

CEQA

Not a project.



WANDZIA GRYCZ
Chief Information Officer



JOSE OBREGON
Director, General Services Department